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S E C R E T SECTION 01 OF 02 TEL AVIV 006872

SIPDIS

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TAGS: PARM PREL MNUC IS COUNTERTERRORISM

SUBJECT: ISRAEL ON COMBATING WMD PROLIFERATION VIA FINANCIAL INTELLIGENCE UNITS

REF: STATE 158275

Classified By: Political Counselor Norm Olsen. Reasons: 1.4 (b, d).

**¶1.** (C) Responding to reftel demarche, Israeli MFA Nonproliferation and Counterterrorism Department Director Yehuda Yaakov told poloff December 4 that:

-- Israel continues to be interested in active participation in the Proliferation Security Initiative (Proliferation Security Initiative) and other means to counter WMD proliferation;

-- The MFA held November 9 its first inter-agency "brainstorming" session on PSI and using Financial Intelligence Units (FIUs) to combat WMD proliferation;

-- The MFA intends to hold more such meetings in the future, and will want to take advantage of the results of expert-level U.S.-Israel counterproliferation talks scheduled to take place in Washington on December 14. After those talks, Yaakov and MFA Arms Control Director Alon Bar intend to discuss a number of issues with USG officials on December 15, including Israel's role in PSI and counterterrorism (CT) issues.

**¶2.** (C) Regarding Israel's national financial controls, Yaakov said "unofficially" that it remains unclear whether current Israeli legislation facilitates FIU involvement in the WMD area. The MFA is urging further interagency exploration of this issue, but Yaakov cautioned that this will take time and might lead to an effort to modify existing CT legislation.

**¶3.** (U) The following laws and regulations provide the GOI with the legal tools to combat money laundering and terror finance:

-- The Prohibition on Money Laundering Law of August 2000, which (a) covers money laundering offenses; (b) identifies reporting institutions and describes their duties; (c) established the Israel Money Laundering and Terror Financing Prohibition Authority (IMPA); and (d) defines offenses.

-- The Combating Criminal Organization Law, which (a) defines a criminal organization; (b) describes criminal organization offenses; and (c) specifies felony and other offenses.

-- The Prohibition on Financing of Terror Law of October 2005, which (a) defines a terror organization and activist; (b) explains how Israel's Ministerial Committee can declare a person or organization as a terrorist entity; and (c) defines terror finance offenses (to include rewarding the perpetrators of terrorist acts, and failing to report suspicious transactions).

**¶4.** (C) Israel's FIU -- Israel Money Laundering and Terror Financing Prohibition Authority (IMPA) -- is responsible for countering money laundering and terror finance under the Prohibition on Money Laundering Law (5760-2000) passed in August 2000. IMPA supports law enforcement investigative efforts and fosters interagency dialogue and international cooperation against domestic and international money laundering and terror finance-related crimes. IMPA manages a secure database of information provided by banks, insurance companies and agents, provident funds, portfolio managers, stock brokers currency service providers, customs and Israel's tax authority, and other GOI and public open sources of information. The following transactions are required by law to be reported to IMPA:

-- cash transactions of 50,000 NIS (app. USD 10,000) or more;  
-- international transfers of 1 million NIS (app. USD 200,000) or more;  
-- Money service business (MSB) transactions of 50,000 NIS (app. USD 10,000) or more;  
-- customs declarations of 80,000 NIS (app. USD 16,000) or more; and  
-- any other unusual activity.

**¶5.** (C) On its own initiative and in response to requests, IMPA shares information and analysis with Israeli law enforcement agencies (e.g., the Israeli National Police, Israeli Security Agency (Shin Bet) and Israel's tax authority) and other FIUs worldwide. GOI officials say that IMPA's investigative and information sharing bodies employ a

"filtering system" that balances the right to privacy with the need for information, and promotes a climate of trust between financial institutions and IMPA. IMPA also provides Israeli policy-makers with strategic analyses of domestic and international trends in money laundering and terror finance crimes.

16. (S) GOI officials say the Palestinian Authority (PA) does not have its own equivalent to IMPA, and claim that money laundering and terror finance activities occur in the PA-controlled West Bank and Gaza Strip. The GOI monitors these activities through the Office of the Coordinator for the Occupied Territories (COGAT) and military intelligence assets. The Palestinian Monetary Authority (PMA) has a financial follow-up unit (FFU), which it considers the equivalent of an FIU. However, that unit does not yet have the legal authority to freeze or confiscate funds, though the PMA is drafting a presidential decree to give it such authority. The U.S. Treasury Department, USAID and the British government are planning to work jointly with the PMA to develop the technical capabilities of its FFU. GOI officials say that they would be willing to work with a PA FIU.

17. (U) This cable was cleared with Consulate General Jerusalem.

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